

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4652-02  
Bill No.: SB 1066  
Subject: Administration, Office of; Contracts and Contractors  
Type: Original  
Date: March 29, 2010

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Bill Summary: Creates the Minority Business Enterprise and Women's Business Enterprise Oversight Review Committee and establishes plans to increase the participation of certified socially and economically disadvantaged small business concerns, minority business enterprises, and women's business enterprises in state contracting.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	(Unknown exceeding \$450,000)	(Unknown exceeding \$50,000)	(Unknown exceeding \$50,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	(Unknown exceeding \$450,000)	(Unknown exceeding \$50,000)	(Unknown exceeding \$50,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Department of Agriculture, Office of State Courts Administrator, Department of Economic Development, Department of Elementary and Secondary Education, Department of Insurance, Financial Institutions, and Professional Registration, Department of Natural Resources, Department of Health and Senior Services, Department of Labor and Industrial Relations, Department of Revenue, Missouri Department of Transportation, Department of Public Safety (DPS) - Division of Alcohol and Tobacco Control, DPS - Capitol Police, DPS - Division of Fire Safety, DPS - Missouri Gaming Commission, DPS - Missouri State Highway Patrol, DPS - State Emergency Management Agency, Linn State Technical College, Metropolitan Community College, Missouri Western State College, University of Central Missouri, Missouri Southern State University, and University of Missouri** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Social Services (DOS)** state the proposal creates two committees and the committees can make recommendations for purchasing requirements. There is no cost to the DOS as a result of setting up these two committees. The fiscal impact, if any, will depend on the findings of the committees.

Officials from the **Department of Mental Health (DMH)** state the DMH already seeks to engage MBE/WBEs in bidding for DMH products and services. Implementation of this legislation, if passed, can likely be accomplished with existing staff; therefore, there is no fiscal impact to the DMH.

Officials from the **Office of Attorney General** assume any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Missouri Department of Conservation (MDC)** assume the proposal would have a minimal fiscal impact on MDC funds.

Officials from the **Department of Higher Education (DHE)** state that although the DHE would comply with the requirements of the bill if passed, the DHE is unable to estimate the exact fiscal impact at this time. The DHE anticipates that the impact would be relatively insignificant.

ASSUMPTION (continued)

Officials from the **DPS - Missouri Veterans Commission (VET)** assume the proposal will have an unknown impact on their organization.

Officials from the **Missouri State University (MSU)** state there may be increased administrative and labor costs to source, solicit, track, and generally manage the program to increase participation. Commodity and service pricing could also increase when using small businesses.

Officials from the **Department of Corrections (DOC)** state it is unknown what procurement rules and regulations might be implemented by the committee defined in the proposal and how such implementation may affect the DOC fiscally.

Officials from the **Office of Secretary of State (SOS)** state the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Office of Administration (COA) - Office of Supplier and Workforce Diversity (OSWD)** state that currently, the OSWD certifies minority and women-owned businesses as established by Section 37.020, RSMo. It appears the new proposed version of section 37.020, RSMo also establishes a program similar to the M/WBE (Minority/Women's Business Enterprise) program that is administered by the OSWD.

A new decision item has been included in the FY 11 budget request to begin the work to procure a disparity study. This new decision item requests \$600,000 and is included in the Governor's budget recommendation. If funded, it is unclear whether this study would fulfill any requirements of the proposal.

The proposal could exceed \$1 million if both studies proposed in sections 37.020 and 37.762.2 are implemented. The process to complete the studies can be longer than one year. The expenses for the oversight review committee mentioned could have a fiscal impact. However, the proposal does not specify which agency is responsible for these expenses.

Section 37.766(2) appears to require a notification system to be implemented by the agencies. If such alert cannot be done by e-mail, the cost could be significant - up to \$20,000 (100 projects estimated at \$200 per project) for the Division of Facilities Management, Design and Construction (FMDC) alone. Overall costs are much higher if all agencies are included.

ASSUMPTION (continued)

Section 37.766(3) appears to require notification to potential subcontractors by the parties to contracts. At the time that the notification is to take place, the state has no “parties to contracts”, only bidders. The FMDC assumes this applies to all bidders since once of them will become a party to a contract. With an average of 4-5 bidders per project, costs are estimated at up to \$30,000 a year for FMDC alone.

The assumptions and methodology used to arrive at the fiscal impact are based on current expenses and procedures.

**Oversight** has determined that COA’s new decision item requesting \$600,000 is still included in the Governor’s budget recommendations and has not been removed. **Oversight** is assuming the disparity study will fulfill part of the proposal’s requirements and that costs of the Minority Business Enterprise and Women’s Business Enterprise Oversight Review Committee (MBE/WME Oversight Review Committee) will be COA’s responsibility. As a result, **Oversight** will present COA-OSWD’s costs for the studies proposed in Sections 37.020 and 37.762.2 and cost of the MBE/WME Oversight Review Committee as Unknown exceeding \$400,000. In addition, **Oversight** will present FMDC’s costs as Unknown exceeding \$50,000 annually for the notification systems required under 37.766(2) and 37.766(3).

**Oversight** assumes potential increases in procurement costs to agencies is speculative at this time as these costs are based on the findings and recommendations of the committee established by this legislation. As a result, **Oversight** will not be presenting these potential costs in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>GENERAL REVENUE FUND</b>			
<u>Costs - COA</u>			
Costs for studies performed under sections 37.020 and 37.762.2 and MBE/WME Oversight Review Committee expenses	(Unknown exceeding \$400,000)	(Unknown)	(Unknown)
Notification systems required under 37.766(2) and 37.766(3)	<u>(Unknown exceeding \$50,000)</u>	<u>(Unknown exceeding \$50,000)</u>	<u>(Unknown exceeding \$50,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<u><b>(Unknown exceeding \$450,000)</b></u>	<u><b>(Unknown exceeding \$50,000)</b></u>	<u><b>(Unknown exceeding \$50,000)</b></u>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal requires the Office of Administration to study and to implement a plan to increase and maintain the participation of certified socially and economically disadvantaged small business concerns, minority business enterprises and women business enterprises in contracts for supplies, services, and contracts with the state.

The Minority Business Enterprise and Women's Business Enterprise Oversight Review Committee is created to study and make recommendations relating to the participation of socially and economically disadvantaged minority and women's business enterprises in contracting with the state.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

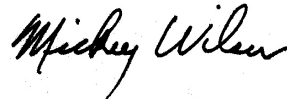
SOURCES OF INFORMATION

Office of Attorney General  
Department of Agriculture  
Office of Administration -  
    Office of Supplier and Workforce Diversity  
Office of State Courts Administrator  
Department of Economic Development  
Department of Elementary and Secondary Education  
Department of Higher Education  
Department of Insurance, Financial Institutions, and Professional Registration  
Department of Mental Health  
Department of Natural Resources  
Department of Corrections  
Department of Health and Senior Services  
Department of Labor and Industrial Relations

HWC:LR:OD

SOURCES OF INFORMATION (continued)

Department of Revenue  
Department of Social Services  
Missouri Department of Transportation  
Department of Public Safety -  
    Division of Alcohol and Tobacco Control  
    Capitol Police  
    Division of Fire Safety  
    Missouri Gaming Commission  
    Missouri State Highway Patrol  
    State Emergency Management Agency  
    Missouri Veteran's Commission  
Missouri Department of Conservation  
Office of Secretary of State  
Linn State Technical College  
Metropolitan Community College  
Missouri State University  
Missouri Western State College  
University of Central Missouri  
Missouri Southern State University  
University of Missouri



Mickey Wilson, CPA  
Director  
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